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Congressional Committees

Subject: Overseas Contingency Operations: *Comparison of the Department of Defense's Overseas Contingency Operations Funding Requests for Fiscal Years 2010 and 2011*

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Enclosure

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Briefing for Congressional Staff

Comparison of the Department of Defense's Overseas Contingency Operations Funding Requests for Fiscal Year 2010 and Fiscal Year 2011

June 28, 2010

1

Overview

- Introduction
- Scope and Methodology
- Background
- Objectives

Introduction

- Since the September 11, 2001, terrorist attacks, the Department of Defense (DOD) has been engaged in domestic and overseas military operations in support of overseas contingency operations (OCO).
- These operations include Operation Iraqi Freedom, which focuses principally on Iraq, and Operation Enduring Freedom, which focuses principally on Afghanistan, but also include operations in the Horn of Africa, the Philippines, and elsewhere.
- Obtaining an accurate picture of OCO costs is of critical importance given the need to evaluate trade-offs and make more effective use of defense dollars in light of the nation's long-term fiscal challenges. In the past, we have reported on the need for DOD to become more disciplined in its approach to developing plans and budgets, including building more OCO costs into the base defense budget.

Introduction (cont.)

- In February 2009, the Office of Management and Budget (OMB), in coordination with the Office of the Secretary of Defense (OSD), developed new guidance for use when constructing the initial fiscal year 2010 OCO funding request that more narrowly defined what should be considered an OCO funding need. (See next slide.)
- The guidance remained in effect for building the fiscal year 2010 OCO supplemental request and the fiscal year 2011 OCO budget request.
- The guidance identified such things as geographical restrictions on where OCO funding could be used, identified obligation time frames for procurement and research, development, test, and evaluation (RDT&E) funding, excluded the use of OCO funding for end strength increases beyond those in the base budget, and ended the use of OCO funding to support family services at home stations.

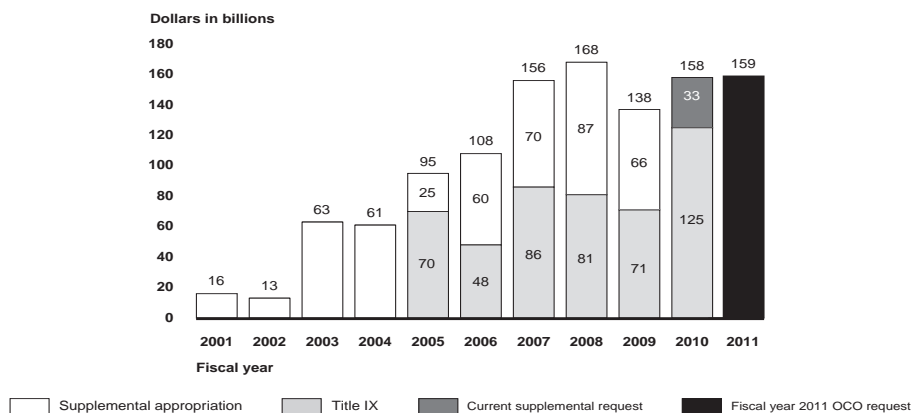
Introduction: OMB Revised Criteria for Development of DOD's Fiscal Year 2010 OCO Funding Request

Compared to fiscal year 2009 OCO funding guidance, significant changes include the following:

| Areas | Fiscal year 2010 OCO funding guidance | Fiscal year 2009 OCO funding guidance |
|----------------------------------|---|--|
| Geographic theater of operations | Includes U.S. Central Command, the Horn of Africa, the Indian Ocean and the Philippines, among others | Does not specify locations, which allowed for funding for such items as home station needs to support contingency operations |
| Equipment | Specifies stricter definitions of replacement, repair, modification and procurement of equipment. New criteria specify a 12-month time frame for obligating funds | Does not specify obligation time frames other than that legislatively defined for the type of appropriation funding |
| RDT&E | Funding for research and development must be for projects required for combat operations in the theater that can be delivered in 12 months | No time frame restrictions |
| Personnel | Excludes pay and allowances for end strength above level requested in budget | Included |
| Family support Initiatives | Excludes family support initiatives that would endure after U.S. forces redeploy to home stations | Included |
| Base realignment and closure | Excluded | Included |

Source: GAO analysis of DOD data.

Funding Available to DOD for OCO (Fiscal Years 2001 through 2010) and DOD's Fiscal Year 2010 and Fiscal Year 2011 OCO Requests



Source: DOD.

Note: Numbers may not add due to rounding.

Note: From fiscal year 2001 through fiscal year 2010, Congress provided funds to DOD in supplemental appropriations and Title IX of DOD's regular annual appropriation. These appropriations included funds that could be used for OCO. Except for the current requested amounts, the figures reflect DOD's calculations of amounts available for OCO based on excluding funds that were appropriated for specific purposes, such as hurricane assistance.

Objectives

Under the Comptroller General's authority, GAO evaluated:

1. The fiscal year 2011 OCO budget request by comparing it to the fiscal year 2010 OCO appropriation and the fiscal year 2010 OCO supplemental request.
2. The assumptions DOD used to create the fiscal year 2010 OCO supplemental request and the fiscal year 2011 OCO budget request.
3. The extent to which the assumptions used for creating the fiscal year 2010 OCO supplemental request and the fiscal year 2011 OCO budget request are sensitive to operational changes.
4. The extent to which DOD moved certain costs of ongoing contingency operations from its OCO budget request into its base budget request.

Scope and Methodology

To achieve our objectives, we:

- Analyzed DOD's fiscal year 2010 OCO appropriation, the fiscal year 2010 OCO supplemental request, and the fiscal year 2011 OCO budget request.
- Reviewed the Joint Staff's planning assumptions used to develop the fiscal year 2010 OCO supplemental request and the fiscal year 2011 OCO budget request.
- Reviewed OMB's *Criteria for War/Overseas Contingency Operations Funding Requests*
- Interviewed officials from the Under Secretary of Defense (Comptroller), the Joint Staff, and the military services

Scope and Methodology (cont.)

- We conducted our review from February 2010 to June 2010 in accordance with all sections of GAO's *Quality Control Assurance Framework* that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for our findings and conclusions in this product.
- DOD reviewed a draft of this briefing and provided technical comments, which we incorporated.

Objective 1: Comparison of Fiscal Years 2010 and 2011 Requests by Functional Area

Dollars in billions

| Functional area | Fiscal year 2010 | | | Fiscal year 2011 OCO request | Difference between fiscal years |
|--|------------------------|-----------------------------|----------------|---------------------------------|------------------------------------|
| | OCO funds available | OCO supplemental request | Total | | |
| Force Protection | \$15.2 | \$3.3 | \$18.5 | \$12.0 | -\$6.5 |
| Operations | 74.5 | 19.0 | 93.5 | 89.4 | -4.1 |
| Baseline Fuel | 0.0 | 2.0 | 2.0 | 0.0 | -2.0 |
| Military Construction | 1.4 | 0.5 | 1.9 | 1.2 | -0.7 |
| Temporary Navy End Strength | 0.4 | 0.0 | 0.4 | 0.5 | 0.1 |
| Coalition Support | 1.9 | 0.0 | 1.9 | 2.0 | 0.1 |
| Commander's Emergency Response Program | 1.2 | 0.0 | 1.2 | 1.3 | 0.1 |
| Non-DOD Classified | 4.1 | 1.2 | 5.3 | 5.6 | 0.3 |
| Iraq Security Forces | 0.0 | 1.0 | 1.0 | 2.0 | 1.0 |
| IED Defeat | 1.8 | 0.4 | 2.2 | 3.3 | 1.1 |
| Temporary Army End Strength | 1.0 | 0.0 | 1.0 | 2.1 | 1.1 |
| Military Intelligence Program | 4.6 | 1.3 | 5.9 | 7.0 | 1.1 |
| Afghanistan Security Forces | 6.6 | 2.6 | 9.2 | 11.6 | 2.4 |
| Reconstitution/Reset | 17.0 | 1.7 | 18.7 | 21.3 | 2.6 |
| Totals | \$129.6 | \$33.0 | \$162.6 | \$159.3 | -\$3.3 |

Source: DOD.

Note: Numbers may not add to totals due to rounding.

Objective 1: Comparison of Fiscal Years 2010 and 2011 Requests by Appropriation Account

Dollars in billions

| Account | Fiscal year 2010 | | Total | Fiscal year 2011 OCO request | Difference between fiscal years |
|--------------------------------|------------------------|--------------------------------|----------------|---------------------------------|---------------------------------------|
| | OCO funds available | OCO supplemental request | | | |
| Military personnel | \$15.0 | \$1.9 | \$16.9 | \$15.3 | -\$1.6 |
| Operation and maintenance | 87.7 | 24.5 | 112.2 | 117.1 | 4.9 |
| Procurement | 24.9 | 4.8 | 29.7 | 24.6 | -5.1 |
| RDT&E | 0.3 | 0.3 | 0.5 | 0.6 | 0.1 |
| Revolving and management funds | 0.4 | 1.0 | 1.4 | 0.5 | -0.9 |
| Military construction | 1.4 | 0.5 | 1.9 | 1.2 | -0.7 |
| Family housing | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | \$129.6 | \$33.0 | \$162.7 | \$159.3 | -\$3.3 |

Source: DOD.

Note: Numbers may not add to totals due to rounding.

Objective 1: Comparison of Fiscal Years 2010 and 2011 Requests by Functional Area (cont.)

- Fiscal year 2011 functional area increases:
 - \$2.6 billion for reconstitution and reset of equipment
 - This investment takes into account depot capacity, equipment rotations, and the ability to execute funds within 1 year, as required by OMB guidance.
 - Officials note that this amount includes an investment in the long-term requirement for resetting equipment redeploying from overseas to inventory.
 - GAO has an ongoing engagement reviewing the coordination of the reset and reconstitution plans with operational plans.
 - \$1.2 billion for temporary end strength increase
 - The Army requested \$2.1 billion (an increase of \$1.1 billion over the fiscal year 2010 request) in both Operation and Maintenance and Military Personnel appropriations for an additional 22,000 temporary troops over its planned end strength of 547,400.
 - The Navy requested \$467 million for an additional 4,400 temporary members over its planned end strength of 324,300 to leave their assigned units or commands and deploy individually or with a small group to support OCO requirements.
 - OMB guidance specifically excludes pay and allowances for permanent end strength above the level requested in base budget; however, OMB and DOD see these Army and Navy increases as OCO costs because they are temporary and related to ongoing operations.

Objective 1: Comparison of Fiscal Years 2010 and 2011 Requests by Functional Area (cont.)

- Fiscal year 2011 functional area decreases:
 - \$6.5 billion for force protection
 - In fiscal year 2010, OSD reprogrammed approximately \$5 billion from the Overseas Contingency Operations Transfer Fund to the Mine Resistant Ambush Protected (MRAP) Vehicle Fund for MRAP procurement.
 - In the fiscal year 2010 DOD appropriation, Congress provided DOD with about \$825 million more than it requested for MRAP vehicles.
 - Officials stated that these actions allowed them to achieve the program objective for MRAP vehicles earlier than originally planned.
 - Despite the overall decrease, the fiscal year 2011 request includes approximately \$3.4 billion for sustainment of vehicles in U.S. Central Command theater, retrofit of existing vehicles, and testing.
 - \$2.0 billion for baseline fuel
 - DOD requested \$2 billion in the fiscal year 2010 supplemental request to cover a onetime shortfall in the fiscal year 2010 baseline fuel requirements and an additional \$869 million associated with OCO-related fuel needs.
 - Officials believe that they have requested enough in the fiscal year 2011 OCO request for fuel to support planned overseas requirements.

Objective 2: Assumptions Used to Develop Requests

- The Joint Staff provided force flow structure and projections for use in developing the fiscal year 2010 OCO supplemental request and fiscal year 2011 OCO budget request.
- For the fiscal year 2010 OCO supplemental request, the Joint Staff finalized the plan for 30,000 troop increase for Afghanistan in December 2009. The final plan was developed after President Obama and General McChrystal agreed on strategy and timing.
- For the fiscal year 2011 OCO budget request, the Joint Staff developed the force flow projections in February 2009, refined the projections in June 2009, and finalized them and provided them to the services in December 2009.

Objective 2: Assumptions Used to Develop Requests (cont.)

- The fiscal year 2010 supplemental request assumes an average deployed troop strength of 184,000 (100,000 in Iraq and 84,000 in Afghanistan).
 - This is a decrease in Iraq of about 41,000 troops from fiscal year 2009 levels.
 - Original fiscal year 2010 OCO budget request included funding for a troop increase from 44,000 to 68,000 troops in Afghanistan.
 - The fiscal year 2010 OCO supplemental request includes funding to increase total troop level to 98,000 in Afghanistan by September 30, 2010.
- The fiscal year 2011 OCO budget request supports an average deployed troop strength of 145,000 (43,000 in Iraq, 98,000 in Afghanistan, and 4,000 enablers providing support).
- In addition, both requests fund in-theater support (e.g. in Kuwait and Qatar) and in-CONUS mobilization troop levels (110,700 in fiscal year 2010 and 103,200 in fiscal year 2011).

Objective 3: Sensitivity to Operational Changes

- Officials identified areas where operational changes during the execution year could affect DOD's fiscal year 2011 planned funding requirements.
 - Deployed troop levels
 - The OCO budget was developed by factoring in the gradual decrease of troops in Iraq and a troop increase in Afghanistan during fiscal year 2011.
 - Any changes in the planned deployment and redeployment schedules to react to operational requirements could affect the adequacy of the funding.
 - Service contracts in theater could be affected if actual force levels differ from those planned.
 - Our analysis of planned unit deployment and redeployment schedules for Iraq shows that potential exists for a change in timing or quantity of redeployments, which could affect the adequacy of funding to cover the expense of conducting operations in Iraq.

Objective 3: Sensitivity to Operational Changes (cont.)

- Operational tempo
 - The Joint Staff provides the services with planned operational tempo projections that are used to develop contingency costs.
 - Any change in operational tempo from the assumed level could affect the adequacy of the funding.
- Active and reserve component mix
 - Services are provided with planning estimates on reserve component and active component split for the year.
 - The global force management process, which actually assigns units to an operation, does not occur until after the budget estimate is established.
 - Reserve component units require more and different funding than compared to active component units because of their mobilization requirements.
 - Actual deployment plans for fiscal years 2010 and 2011 do not match the active/reserve mix assumptions used to develop the budget requests and therefore execution could vary from the budgeted amounts.

Objective 3: Sensitivity to Operational Changes (cont.)

- Some construction projects have changed since their inclusion in the original fiscal year 2010 and fiscal year 2011 requests.
 - OSD identified \$13.5 million in projects from the fiscal year 2010 supplemental request that have been accelerated and funded with contingency construction authority because of pressing requirements (10 U.S.C § 2808).
 - OSD has identified \$58.3 million in construction projects from the fiscal year 2011 request that will be accelerated using contingency construction authority.
 - Officials also identified a \$23 million project in the fiscal year 2011 request that was planned to be funded through the Afghanistan Security Forces Fund and therefore does not require Military Construction funding.
 - Officials have also planned to increase funding for nine other planned construction projects in fiscal year 2011 by about \$85 million.

Objective 4: Costs Moved from OCO Budget Request to Base Budget Request

- OSD Comptroller has identified about \$1.4 billion removed from the fiscal year 2011 OCO request based on OMB guidance.
- Of this amount, officials report that \$679 million was added to the services' base budget request with an increase to the top line and \$754 million was absorbed in the planned budget with no increase.
- Prior GAO work has recommended that DOD shift certain contingency costs into the annual base budget to allow for prioritization and trade-offs among DOD's needs.

| Cost category | Amount (dollars in millions) |
|--|---------------------------------|
| Navy Operations Tempo | \$471 |
| Air Force Flying Hours | 283 |
| Service Member and Family Support | 247 |
| Military Intelligence Programs Initiative | 243 |
| Special Operations Command Operations Tempo and C4I Enablers | 114 |
| Afghanistan – Pakistan Intelligence Center of Excellence | 75 |
| Total | \$1,433 |

Source: DOD.

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